

# Testimony Before the Select Committee on Economic Disparity and Fairness in Growth

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“Renewing Prosperity in the Industrial Heartland: An Economic Agenda for Forgotten Communities”

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## Introduction

Chairman Himes, Representative Davidson, Representative Kaptur, Representative Steil, and Representative Moore, it is a pleasure to be with you today. This will be my sixth time testifying before Congress, but my only my first time testifying before the Select Committee on Economic Disparity and Fairness in Growth. It is also the first time I have testified in my home state, so thank you for having me. I am the Co-founder and President of the Opportunity Funds Association (OFA), a trade association whose members are entrepreneurs, investors, developers and fund managers operating in Opportunity Zones. Through our members, we connect capital to overlooked areas improving lives, creating opportunities, and ensuring long-term economic growth.

This afternoon, I would like to discuss how Opportunity Zones are targeting private investment in areas of the country that have been deindustrialized, and how tax policy can be used build domestic supply chains, encourage reinvestment, and renew prosperity in Lorain, my hometown Cleveland, and the rest of the Industrial Heartland. Further, I want to discourage crippling tax increases on small businesses and workers that would undermine the historic progress made in the Heartland prior to the pandemic in minimizing minority unemployment and raising minority incomes in places like Ohio.

Prior to co-funding OFA, I served as the Majority Staff Director for the Senate Finance Subcommittee on Energy Natural Resources and Infrastructure and as Tax Counsel to Senator Tim Scott (R-S.C.) where I helped champion the Investing in Opportunity Act, legislation authored by Senators Tim Scott and Cory Booker (D-NJ) that became Opportunity Zones. IRS data shows that over \$24 billion has been raised for investment so far with billions being raised in the midst of a pandemic. An August report from the Council of Economic Advisors estimates that Opportunity Zones will lift 1 million Americans from poverty and reduce poverty in designated zones by 11 percent.

Some [Key findings](#) from The Economic Innovation Group’s report, "[From Managing Decline to Building the Future](#)" give us a feel for the gravity of the problem:

- Uneven population growth is leaving more places behind. 86% of counties now grow more slowly than the nation as a whole, up from 64% in the

1990s.

- In total, 61 million Americans live in counties with stagnant or shrinking populations.
- 80% of U.S. counties, home to 149 million Americans, lost prime working age adults from 2007 to 2017, and 65% will again over the next decade.
- By 2037, two-thirds of U.S. counties will contain fewer prime working age adults than they did in 1997, even though the country will add 24.1 million prime working age adults and 98.8 million people in total over that same period.
- Population decline affects communities in every state. Half of U.S. states lost prime working age adults from 2007-2017. 43% of counties in the average state lost population in that same time period, and 76% lost prime working age adults.

## **Jumpstarting Investment and Reinvestment in the Industrial Heartland**

I'm proud to say that in my hometown of Cleveland Ohio, the Minority- and Veteran-owned Bridgeport Group is raising capital from Opportunity Fund investors to expand its supply chain logistics business to serve Cleveland's world class healthcare market. The venture will expand to provide prescription and OTC drug fulfillment services for local retailers to cost effectively compete with disruptive online pharmaceutical providers. Bridgeport's founder Andre Bryant is an active entrepreneur who makes it a point to support other minority entrepreneurs.

Hoosier Solar Holdings is embarking on a large-scale solar build-out project in Indiana using Opportunity Zone financing. They're operating under \$20 million in Opportunity Zone capital and have plans for six utility-scale solar projects across four counties in IN (Adams, Dubois, Rush, and Stark).

In many cases the greenest building is the one that is already built. Programs like historic preservation easements and tax credits can make it financially viable to protect and rehabilitate local landmarks instead of bulldozing them and filling up landfills. In my hometown, historic preservation firm GBX Group has leveraged a combination of historic preservation easements, tax credits, and Opportunity Zone incentives to preserve 14 historic buildings in Cleveland's Superior Arts District. Partnerships with the City of Cleveland, State of Ohio, and the Federal government have led to an influx of investment into buildings that have attracted hundreds of new jobs and generated millions of dollars in new tax revenue streams.

## **How Congress Can Help Entrepreneurs Bring Prosperity to the Heartland**

### **Abandon Plans for Tax Increases on the Middle Class**

Since January, working families are already seeing tightening budgets and higher prices. Gasoline has increased by 42.1 percent in the past year, meat has increased 12.6 percent. Children's footwear has increased 11.9 percent. While enduring this inflation tax there are plans to further burden the middle class. The Tax Policy Center [concluded](#) that reconciliation budget would result in higher taxes for 74.1 percent of middle income-quintile households. By 2031, the TPC found that 95 percent of this income group will see a tax increase due to the expiration of middle-class tax cuts and corporate tax increases making working families hundreds of billions worse off from the tax hikes being proposed. Similarly, a 2020 [study](#) by the National Bureau of Economic Research found that 31 percent of the corporate tax falls on consumers.

### **Use The Tax Code to Incentivize Onshoring**

From Lorain to Cleveland to Detroit, the Heartland was built on transportation innovation. There are encouraging signs of a rapidly developing U.S. electric vehicle supply chain, but we lag internationally in the manufacture and adoption of medium and heavy-duty electric vehicles (delivery trucks, buses, garbage and port vehicles, tractor trailers, etc.). While it is encouraging to see proposed tax credits introduced to close the gap, it is critical that language be included to limit the tax credit to U.S. companies and allies. Otherwise heavily subsidized Chinese companies will continue to dominate the supply chain.

### **Keep the Playing Field Level for Entrepreneurs**

More than 90 percent of small businesses are organized as pass-throughs (sole proprietorships, LLCs, partnerships, or S corporations), not as corporations. This percentage is even higher for minority owned businesses. Because of Tax Reform, pass-through business owners can now claim a 20 percent deduction on their share of the business's income. The deduction is scheduled to sunset in 2026, Repealing this sunset will benefit millions of pass-through businesses and help level the playing field between small and large businesses.

### **Preserve Reinvestment Incentives**

Some provisions currently in the budget reconciliation plan that is moving through Congress could undercut the use of the historic preservation easement. Should a reconciliation bill remain under consideration, I would encourage this committee to work with Ways & Means and the preservation community on amendments to the bill to fix this language. We need to ensure that we aren't doing away with programs that are working to rebuild our urban core at the same time we are trying to create new initiatives to accomplish similar objectives.

### **Link High-Skilled Immigration to Communities not Employers**

Heartland Visas would provide a pathway for high-skilled immigrants to bring their talent/entrepreneurship to welcoming communities experiencing population loss. Heartland visa holders would live and work in their community of choice without

obligations to a specific employer; the Heartland Visa would provide a pathway to permanent residency for eligible immigrants. Communities would opt-in to the program just as immigrants would opt-in to participate. A Heartland Visas program would be additive to the overall immigration system and skilled immigration quotas.

### **Make Opportunity Zones Transparent**

Perhaps the most important step Congress can take to optimize sustainable growth in Opportunity Zones is to pass a bill adding reporting and transparency requirements to the policy. Senator Tim Scott along with Senators Sinema, and Grassley introduced a bipartisan bill to this end last Congress. The bill would enable Treasury to collect key information on the location of Opportunity Zone investments, the types of businesses and projects attracting investment, and the number of jobs created. This information will enable Congress to adjust the policy to further incentivize investment in areas remaining underserved and will demonstrate the viability of the policy as a community development tool.